

**FACTORS AFFECTING SUSTAINABILITY REPORTING IN
MALAYSIAN LOCAL AUTHORITIES WEBSITE**

By:-

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ABSTRAK

Umumnya, objektif kajian ini adalah untuk menentukan faktor-faktor yang mempengaruhi laporan kemampanan di laman sesawang Pihak Berkuasa Tempatan. Laporan kelestarian merupakan instrumen penting bagi meningkatkan imej serta berperanan untuk menzahirkan kecekapan, akauntabiliti dan ketelusan sistem penyampaian perkhidmatan Pihak Berkuasa Tempatan di Malaysia. Responden kajian ini terdiri daripada 98 buah Pihak Berkuasa Tempatan di seluruh negeri di Semenanjung Malaysia termasuk Wilayah Persekutuan Kuala Lumpur. Data telah dianalisis menggunakan perisian SPSS melalui tiga bentuk ujian iaitu ujian deskriptif, ujian regresi multivariat dan korelasi Pearson ke atas tiga jenis model. Model Pertama; yang mengkaji hubungan secara terus antara pembolehubah bebas (pernyataan visi/misi, kategori Pihak Berkuasa Tempatan, sistem penarafan bintang, Agenda Tempatan 21) dan pembolehubah bersandar (laporan kelestarian di laman sesawang Pihak Berkuasa Tempatan). Model Kedua; pula mengkaji peranan pembolehubah penyederhana (penembusan jalur lebar isi rumah) ke atas hubungan antara pembolehubah bebas dan pembolehubah bersandar. Manakala, Model Ketiga; yang mempunyai penambahan pembolehubah kawalan iaitu bidang kuasa Pihak Berkuasa Tempatan mengikut negeri. Berdasarkan keputusan ujian ke atas tiga model ini, didapati hanya kategori Pihak Berkuasa Tempatan secara konsisten mempunyai hubungan signifikan dengan pembolehubah bersandar. Pembolehubah penyederhana didapati tidak mempunyai peranan ke atas hubungan antara pembolehubah bebas dan pembolehubah bersandar. Ia berjaya membuktikan penemuan hasil kajian terdahulu. Dapatan kajian ini berupaya menyumbang kepada amalan yang baik khususnya penyediaan rancangan strategik pembangunan lestari oleh Pihak Berkuasa Tempatan.

ABSTRACT

Generally, the objective of this study is to determine the factors that influence the sustainability reporting in Local Authorities website. Sustainability reporting is an important instrument in enhancing the image and serves to disclose the efficiency, accountability and transparency of the delivery system of Local Authorities in Malaysia. The respondents are 98 Local Authorities across the state in Peninsular Malaysia including the Federal Territory of Kuala Lumpur. Data were analyzed with SPSS software through three tests that are descriptive test, Multivariate Regression test and Pearson Correlation on three types of models. The first model; is to determine the direct relationship between the independent variables (vision/ mission statement, category of Local Authorities, star rating system, Local Agenda 21) and dependent variable (sustainability reporting in Local Authorities websites). The second models; is to study the role of moderating variable (household broadband penetration) on the relationship between independent variables and dependent variable. Meanwhile, third model; is the model with control variables, namely jurisdiction of Local Authorities by state. Based on the results on the three models, found that only category of Local Authorities consistently has a significant relationship with dependent variable. Moderating variable has no role on the relationship between independent variables and dependent variable. It has proved the findings of previous studies. The findings of this study are able to contribute a good practice particularly the preparation of strategic plans for sustainable development by Local Authorities.

CHAPTER 1

INTRODUCTION

1.1 Introduction

The concept of sustainable development has become a global phenomenon. Economic, social and environmental which are three main pillars of sustainable development has been widely used after it was introduced in the 2002 World Summit on Sustainable Development. Based on the definition from Brundtland Commission (1987), sustainable development is “a development able to satisfy the need of the present generations without compromising the capacity of future generation to satisfy their needs; a process in which the employment of resources, the direction of investments and the orientation of technological development and institutional change are all in harmony and increase the present and the future potentialities for the satisfaction of the human needs and aspirations”. At this time, this definition is very perfect. In doing so, Johannesburg Declaration established a shared responsibility to promote and strengthen the interdependent pillars of sustainable development and strengthen local, regional and global (Kates, 2005).

The rapid growth of a country and the paradigm shift of the people make sustainability theory widely accepted as a key element in the consolidation of Triple Bottom Line in this 21st century. It is also important for a country and its people to fulfil their responsibilities in more sustainable and making the sustainability agenda is an absolute success. Therefore, aligned in accordance with the aspiration to achieve Vision 2020, Malaysia is gradually moving towards achieving sustainable development. Through the research done by Joseph (2009), agenda of sustainable development for Malaysia formally outlined in the 3rd Malaysia

Plan (1976-1980) until the 8th Malaysia Plan (2001-2005). Joseph (2009) added that the concept of sustainable development in Malaysia is not just confined to international initiatives, but also applies to the principles of holistic planning and development by all Government Agencies.

In facing the challenges of becoming a developed nation by 2020, changes were needed in many aspects. It is not only limited in purely economic performance, it also must be balanced in terms of social and environmental. Accordingly, the Government of Malaysia has taken an initiative and a proactive approach by introducing the Government Transformation Program (GTP) through the principle of 1Malaysia; People First, Performance Now. These roadmap objectives, outcomes and initial set of actions identified in the areas as National Key Result Areas (NKRA) and Ministry Key Result Areas (MKRA). Along with the introduction of GTP, the National Economic Advisory Council (NEAC) of the New Economic Model forms a more holistic and comprehensive in line with the concept of sustainable development (PEMANDU, Prime Minister Department, 2010).

Transformation program will be approached with a radical new way while learning from what happened in the past (YAB. Dato' Sri Mohd Najib Tun Razak, 2010). Based on the fact that people are impatient to see the success, the resources available are limited and that new ideas need to be introduced. A quick transformation method or the best engine will be used in every performance and improvement. There is huge expenditure of public funds were used and injected in various projects and programs in line with this new concept. It is actually demands a greater transparency and accountability from every decision made by the government. In order to ensure they are well received, the government must find ways to improve the level of their reports. The government has outlined the digital services as one of

the seven flagships of government in improving the operation, implementation and communication to the public (Ghani, 2010).

According to Joseph (2010), sustainability reporting is becoming well-known throughout the world. Approaches and initiatives of any organizations in presenting and disclosing their sustainability report for each of the activities through various communications media are increasing (Amran, 2010). However, measurement of sustainability reporting disclosure on the website has not been fully explored (Joseph, 2010). Buhr (2007), stated that “sustainability accounting, reporting and standardization is following a slow process that is not much over a hundred years old. The process begins with employee reporting and then moves on to social reporting, environmental reporting, triple bottom line reporting and eventually, and ideally, sustainability reporting.” The World Business Council of Sustainable Development (WBCSD) (2002), stated that the sustainability report has been widely used to refer to public reporting by organizations to present and disclose in a transparent picture of the corporate position and their activities in the economic, social and environmental information to their stakeholders (Amran, 2010).

In order to ensure that the quality of life for all citizens can be improved, the government should give full commitment towards this transformation agenda. In strengthening the capacity for developing the country, the delivery system of public service at various levels should be improved and enhanced. This is mainly through the sustainability report which is revealed through the website. The maximum or total usage of the internet can provide a positive impact in this delivery system (Joseph, 2009). Accordingly, in helping to strengthen the elements of transparency, accountability and effectiveness in public service, local government or local authorities is the best platform. In addition, to meet the needs of

local community and be more responsive, local authorities must have a website (Dato' Sri Ong Ka Ting, Former Minister of Housing & Local Government, 2003). Local authorities need to optimize the use of their websites to disclose as much information to the community, particularly the sustainability reporting (Joseph, 2009). As a government that has the closest relationship with the community, it is important for local authorities to improve their sustainability reporting towards public media.

1.2 Background of the Research

In principle, the Government of Malaysia is organized and structured into three levels of 1) federal, 2) state and 3) local governments or local authorities (Ghani, 2010). Based on information obtained through the website of the Department of Local Government, Local Government or Local Authorities is defined based on three laws as follows:-

1. Local Government Act 1976 (Act 171) - Local Government in Peninsular Malaysia, Section 2 of the Act provides that "local authority" means any City Council, Municipal Council or District Council, as the case maybe, and in relation to the Federal Territory means the commissioner of the City of Kuala Lumpur appointed under Section 3 of the Federal Capital Act 1960.
2. Local Government Ordinance 1961 (Sarawak No. 11 of 1996) - Local Government in Sarawak, "Local Authority" means:-
 - a City Administration named in Part I of the First Schedule;
 - a Municipal Council named in Part II of the First Schedule;
 - a District Council named in Part III of the First Schedule; while

- Bintulu Development Authority (BDA) has been inserted in the above-mentioned sub-section (b).

3. Local Authorities Ordinance 1996 (Chapter 20) - Local Government in Sabah, "Authority" means any District Council, Town Board or Municipal Council established under the provisions of Section 3.

Essentially, there were 149 local authorities in Malaysia under Ministry of Housing and Local Government. It consists of 12 City Councils, 39 Municipal Councils and 98 District Councils. Apart from that, there are five other local authorities known as the Modified Local Authorities. It is authorized by the State Government to meet its obligations as the Local Authority for a predetermined area. However, the Modified Local Authority is not tied directly to the Department of Local Government, Ministry of Housing and Local Government. So, overall, the number of Local Authorities in Malaysia is 154 (i.e. $149 + 5$). Through the resources obtained from the Department of Local Government, Ministry of Housing and Local Government 2011, the distribution of Local Authorities in Malaysia by state and category is presented in Table 1.

The Local Authorities, as the lowest level of government and closest to the community, is responsible to provide maximum communication and interaction medium with the community. Thus, to be designated as the best managers of the urban environments, it is important to continue improving the quality of their digital reporting to the stakeholders (Ghani, 2010). The quality improvement of digital reporting by Local Authorities will help to enhance their sustainability reporting in their website.

Table 1: Statistics of Local Authorities in Malaysia

No.	State	City Council	Municipal Council	District Council	Modified Local Authority	Total
1	Johor	1	6	8	1	16
2	Kedah	1	3	7	1	12
3	Kelantan	0	1	11	0	12
4	Malacca	1	3	0	0	4
5	Negeri Sembilan	0	3	5	0	8
6	Pahang	0	3	8	1	12
7	Penang	0	2	0	0	2
8	Perak	1	4	10	0	15
9	Perlis	0	1	0	0	1
10	Selangor	2	6	4	0	12
11	Terengganu	1	2	4	0	7
12	Federal Territory	1	0	0	2	3
13	Sabah	1	2	21	0	24
14	Sarawak	3	3	20	0	26
Total		12	39	98	5	154

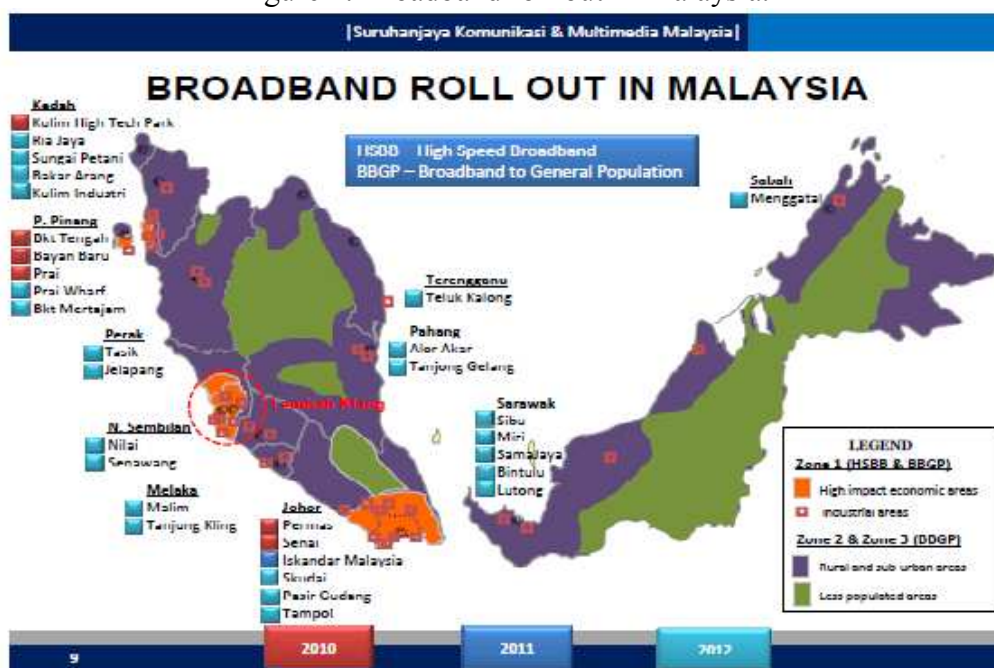
Source: Department of Local Government (2011)

The Local Authorities need to consider sustainability reporting and open communication about the concept of sustainability is the most important (Bellringer, 2010). A close relationship between local authorities and communities make them the best agents in the development of society towards sustainable development (Potts, 2004). The public sector consists of about 40 percent of all economic activities at the international level and will provide significant operational impact on the environment, social and economic (Bellringer, 2010). The Local Authorities involvement in the sustainability reports should be recognized because it acts as an important contributor to the input in making public policy on the agenda of sustainability. Accordingly, the use of the website as the main medium for exposing the Local Authorities' sustainability reporting is absolutely right.

The Internet is an effective communication medium for disseminating and disclosing information between several parties. It is a great benefit to the operations of an organization.

This includes reducing the cost of dissemination of information; reduce the cost of monitoring, facility to access any data or information and easily to communicate with other parties in other areas effective and efficiently (Bellringer, 2010). The National Broadband Strategy Implementation (NBSI), (2010), is to bridge the digital divide among Malaysians by bringing broadband coverage throughout the country. This initiative is seen as important to the economic and social well-being of the country (Nor Akmar, 2010). The wide area of broadband coverage is based on economic activities and the size of the population in a particular area. Areas of high economic activity such as major cities and towns as well as industrial zones, broadband coverage infrastructure will be improved to provide more speed. In addition, this broadband service will be extended depending on demand and also adapted to the needs of the population (Nor Akmar, 2010). Based on the Malaysian Communication and Multimedia Commission (MCMC) (2010), in sparsely populated areas like Sabah and Sarawak, Community Broadband Centre was built to enable people to access the internet. The Figure 1 illustrates the coverage of broadband in Malaysia.

Figure 1: Broadband roll out in Malaysia.



Source: Malaysian Communication & Multimedia Commission (2010).

The improvement of the digital environment will benefit the local authorities to disclose their sustainability reporting to the public. The spread of sustainability reporting through the web site is the best initiatives to increase public knowledge and awareness towards environmental, social and economic (Pollach, 2005). It is the main reason why local authorities should be involved in the sustainability reporting through the website revealed especially to the attention of stakeholders.

Besides, the disclosure of the sustainability reporting through the website is able to improve its image among urban local authorities. The Global Reporting Initiative (GRI) Sector Supplement for Public Agencies (SSPA) state that the importance of sustainability reporting are also to increase transparency and accountability, strengthen the organizational commitment and to show significant development, enhancing good governance and effective stakeholders engagement (Joseph, 2009). Therefore, the involvement of Local Authorities with the disclosure of sustainability reports through the website need to be refined in depth.

1.3 Problem Statement

The main purpose of sustainability reporting of Local Authorities on the website is to share information with stakeholders about their activities in relation to the sustainability agenda. In addition, as noted earlier, sustainability reporting is also able to increase public knowledge and awareness of the environmental, social and economic. In an effort to improve the urban image of the Local Authorities, this sustainability reporting can act as an instrument to reflect the efficiency, accountability and transparency in enhancing their good governance.

However, there are limited past research that had empirically evidence showed that sustainability reporting in Malaysia has yet achieve to the appropriate standard. Based on statements from Datuk Kok Wee Kiat, Environmental Quality Council Malaysia Chairman, that sustainability reports are still in "poor shape". He added that there are almost no sustainability reporting which made Bursa Malaysia need to resolve that listed companies must provide a description of their corporate social responsibility (CSR) activity (The Star, 11 June 2009). Through this statement proved that the seriousness and the need of the sustainability reporting revealed to the public.

In addition, there are no Local Authorities who are eligible for a five-star rating since the evaluation of the Star Rating System for Local Authorities introduced and implemented by the Ministry of Housing and Local Government in 2008 (Berita Harian, 4 November 2011). According to Datuk Seri Lajim Ukin, Deputy Minister of Housing and Local Government, in 2008, only 13 local authorities had obtained a four-star rating, 26 received ratings of three stars, 44 more earned two-star level, while 15 had only received one star. He added that the Local Authority still has room to improve the standard of service excellence to achieve five-stars rating. However, they need to focus in terms of cost savings, improve the delivery system, commercial and investment activities so that their operation can bring benefits to the stakeholders (Berita Harian, 4 November 2011).

In the meantime, based on the GRI Reporting in Government Agencies (2010), sustainability reporting in the public sector is still at a promising stage compared to other sectors. Through data obtained from the GRI report published in 2009, there was only 1.7% successful sustainability reporting being revealed from the Government Agencies worldwide.

Accordingly, as the heart and key driver agency at grassroots level, the failure of local authorities to disclose the accurate reporting of sustainability, particularly through the website, is suspected to affect their efforts to improve the image of the township. In addition, it is feared will undermine public confidence in the transparency and accountability of Local Authorities towards the sustainability agenda. Therefore, this is the motivation to carry out the study to unlock this phenomenon clearly.

1.4 Research Objectives

Generally, the main objective of this study is to determine the factors that influence sustainability reporting on the website of Local Authorities in Malaysia. Specifically, this study aims to examine the vision/ mission statement, category of Local Authorities, system star rating and Local Agenda 21 on the sustainability reporting in the Local Authorities website. This study also investigates the role of household broadband penetration on the relationship between the factors and the level of sustainability reporting.

1.5 Research Questions

Basically, to achieve the objectives that have been outlined above, this study will answer several questions related to the factors that influence the sustainability reporting in the Local Authorities website. Specifically, the question that attempts to be answered through this study is as follow:-

- Does vision/ mission statement influence the sustainability reporting in Local Authorities website?

- Does category of Local Authorities influence the sustainability reporting in Local Authorities website?
- Does system star rating the sustainability reporting in Local Authorities website?
- Does Local Agenda 21 influence the sustainability reporting in Local Authorities website?
- Does household broadband penetration influence the relationship between the factors and sustainability reporting in Local Authorities website?

1.6 Significance of the Study

This study is to focus on the factors that influence the sustainability reporting on the website of Local Authorities in Malaysia. This is to ensure service delivery system of the Local Authorities as the heart and driver at the grassroots level can be strengthened. In addition it is the best platform for Local Authorities to act more efficient and effectively and also responsive in meeting the needs of the community. The sustainability reporting will able to increase public knowledge and awareness towards the environmental, social and economic perspective.

In this borderless world, the internet is the best medium of communication to disseminate, disclose and share information with each other. Optimum usage of the internet by the Local Authorities in the sustainability reporting could reveal a positive impact, particularly in improving good-governance. It is an ideal step for them. In the same time, the use of this website can also act as an agent to reflect the efficiency, accountability and transparency of local authorities in the eyes of the society (Bellringer, 2010). In addition, compared to with previous studies that have been made by Joseph (2009), Joseph (2010), only

focused on larger Local Authorities such as City Council or Municipal Council compared to this study which expanded the spread of the sample to the smaller Local Authorities that is District Council.

Besides, there is a relationship between social responsibility and disclosure of the information through the internet, particularly in terms of expenditure information disclosure by the Local Authorities for development purposes (Ghani, 2010). Other studies have stated that the report content which presented through a network of web sites was particularly less compared to printed report. This may cause the stakeholders felt they were exposed to an incomplete or non-transparent information (Azli, 2007). Thus, this study will be able to offer valuable advice for practitioners to see some other factors that influence Local Authority to disclose the sustainability reporting on the website. Hopefully this research can also help to improve the level and usefulness of sustainability reporting of the Local Authorities in Malaysia.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews selected literature on several topics regarding the variables to be used in the research. Further discussion will focus on selecting the variables towards the formation of theoretical framework and establishment of hypothesis for this study.

In this section, the purpose is to analyze and discuss the literature and past studies with emphasis on determining the factors that influence the sustainability report on the website of Local Authorities in Malaysia. Through detailed research and analysis based on the theories used, it can help in developing a theoretical framework and other methodologies to strengthen and consolidate this study.

2.2 Factors Influencing Sustainability Reporting

The discussion in this section is divided into several specific topics that are directly related in this study. The first topic is the definition and role of Local Authorities in Malaysia, while the second topic, discuss on the literature on the role of the internet as a medium for reporting. The concept of sustainability reporting and the importance of sustainability disclosure by an organization are described in the third topic. The fourth topic focuses on the theory that forms the basis of this study. The following topic focuses on the implementation of the star rating system implemented on the Local Authorities in Malaysia. Finally, the last topic discuss on

the role of Local Agenda 21 (LA21) in influencing the sustainability reporting of the Local Authorities on the website.

2.2.1 Local Authorities in Malaysia

Conceptually, the Local Government or Local Authorities will be responsible for local affairs through a power which has been delegated to them either from the Federal Government or State Government, which have higher authority from them. It has limited autonomy power awarded by the governments which have the highest powers. In general, this power basically is in the field of finance and administration. In addition, the Local Authorities also have the power to sue, be sued, make contracts and own property; and also has a capacity and abilities to provide facilities and services to the residents of an area (Department of Local Government, 2011). As stated above, Local Authorities have been categorized into three; 1) City Council, 2) Municipal Council and 3) District Council. The matrix comparison categories of the Local Authorities are describes in Table 2.

In addition, there is special consideration may be given to Local Authorities on specific interests, for example, for the purpose of attracting investment and tourism. However, it is still subject to the support received from relevant agencies (Department of Local Government, 2011). Even if Local Authorities are not successfully recording the minimum total annual revenue as prescribed, special consideration could still be given. It is based on the capacity and capability of Local Authorities to generate additional revenue certified for the purpose of upgrading to a higher category. A special consideration should be given to the state capital that has not achieved the city status and state government may help in their revenue if needed (Department of Local Government, 2011).

Table 2: Matrix Comparison Categories of Local Authorities in Malaysia

Criteria	City Council	Municipal Council	District Council
Place	The administrative center of a major city or state.	The administrative center of a town or district.	Other areas apart from major towns.
Population	Have people not less than 500,000.	Have people not less than 150,000.	Inhabitants less than 150,000 people.
Income	Have steady income from financial resource (fiscally sustainable) with annual outcome not less from RM100 million and afford steady expenditure.	Have steady income from financial resource (sustainable) with annual outcome not less from RM20 million and able to prepare services at the proper and comfortable level relevant with quality of living level in certain City.	Total annual revenue less than RM20 million.
Services	Able to prepare services at the high level include revenue collection activity, approval development of developer, enforcement and other Local Authorities function and have organizational structure established with those staff capable officiates efficiently and effectively.	<ul style="list-style-type: none"> · Have industrial activity, business, tourism and major present housing or in planning which identified as potential contribute to expansion hold may be levied and generate job opportunities in range of sectors . · Capacity in provide space and opportunity to plenty dealer by promote growth investment activity, business and commercial. 	Overall citizen needs focused to infrastructure facility and public utility compare with services at municipal.
Development	Urban development that stresses to steady development (sustainable development) and focus to efforts to tackle municipal issues as squatter, illegal factory operation, security, housing for lower income group and environmental conservation. Indicator stable city as those emphasized in Malaysia Urban Indicator Network System (MURNInet).	Have infrastructural facility that satisfies and connect with highway system that efficient. Have steady concept of town planning (sustainable) which cope in providing the environment safe and comfortable to inhabit. Indicator stable city as those emphasized in Malaysia Urban Indicator Network System (MURNInet).	-
Others Facilities	<ul style="list-style-type: none"> · Image of city formation or suitable identity with the function and national culture which symbolize the history and heritage. Areas and buildings with story worth, culture and unique architecture need to be reared. · Own industrial centre, finance 	Have programmers which can encourage local citizen to develop community respectively through city management that efficient like the implementation Program of Local Agenda 21 (LA 21) or involvement committee by	-

	<p>and facility institution carry out business and trade to attract investor entry. These include hotel facilities to encourage tourism activity and deal. Given attention to rapidity service sector and development of economic activity worth increase city and based oriented knowledge.</p> <ul style="list-style-type: none"> · Complete educational institution centre with the university, college, museum and public library. · Centre to cultural activity, sport and recreation events and convention at the national and international level. · Have complete infrastructural facility, adequate public utility include friendly consumer public parks especially to Disabled Persons (OKU). These include public transport facilities, traffic management system and efficient road network and ICT services; AND · Obtain certain recognition either at the national level or international in certain areas parallel with a standard as a city. 	citizen.	
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Source: Department of Local Government (2011)

Based on Table 2, the category is based on the status of Local Authorities in Malaysia. It is an official status which is awarded to reflect the image and prestige of Local Authorities, particularly in terms of administrative structure, autonomy and opportunities for development. Therefore, it is necessary for Local Authorities to improve their efficiency, transparency and accountability in delivering services to people. Local Authorities have been admitted and pledged to enhance their accountability to all stakeholders (Schneider, 2006). It is also important to share and inform each activity and achievements with all the people. The study by Schneider (2006), have found that there are significant relationships between the categories of Local Authorities and disclosure reports of their activities. In addition, the higher category

of the Local Authorities, the higher desire of everyone to know the reports (Serrand, 2008). Based on the study Serrand (2008) also, the Local Authorities has a great responsibility to provide the best service delivery to their stakeholders.

Furthermore, a study by Bellringer (2010), Local Authorities in New Zealand is responsible for strategic planning for sustainable development towards promoting social, economic and environmental well-being. It requires Local Authorities to adopt a sustainable development approach, regardless of the respective category in ensuring the needs of the present generation and future. Therefore, the need to provide sustainability reporting is high (Bellringer, 2010). Through research done by Sciully (2011), Local Authorities is responsible to inform their activities especially on social activity, also economic and environmental issues. Strong pressures from the community, especially in big cities also affect the actions of Local Authorities (Serrand, 2008).

Besides, Local Authorities must meet the expectations of their accountability in meeting the needs and wants of stakeholders. It is an effort to promote the image of a category of the Local Authorities in terms of efficiency, transparency and accountability (Stanley, 2008). There was a significant relationship between the categories of Local Authorities in urban and rural areas and sustainability reporting. It shows the urban community more aware of the activities of Local Authorities than others (Stanley, 2008). Through the study by Joseph (2010), Local Authorities in urban areas are more aware of the importance of the sustainability reporting due to the ability and capability that they have to provide it. This coupled with the various facilities available in urban areas, highly skilled and motivated human capital and also great knowledge and networking sharing (Joseph, 2010).

In addition, type or higher category of organizations is assumed to reveal more information or reports than the lower category of organizations. This was due to greater focus from stakeholders towards larger type of organizations (Azli, 2010). Through the study by Watts and Zimmerman (1978), these organizations will face higher political costs than organizations which lower categories. Accordingly, the more reports were disclosed to cut costs.

There are many studies that have been done earlier showed a significant relationship between the category of the organization with the disclosure of the report especially by Wallace and Nasir (1995), Marston and Shrives (1996), Ahmed and Curtis (1999) and others (Azli, 2010). Based on previous findings by Soffian (2001) and Ryan (2002) have shown that large organizations can contribute to the disclosure of many reports. In addition, Tilling (2004) and Laswad (2005) found that organizational type have positive relationships with financial statement disclosure of the report.

Based on the Azli (2010), the size of an organization can be measured in various ways, whether through capital, revenues, total assets, number of shareholders, number of employees and others. Soffian (2001) and Ryan (2002) measure the size of the organization through the total revenue or total assets of the organization. The study made by Laswad (2005), measured the size of the organization through the average income.

In another context, there are various studies stating vision/ mission statement of an organization influence the action in Carrying out their operations. The importance of vision/ mission statement is it will determine the direction and actions of organizations especially Local Authorities (Hallinger, 2001). The survey, conducted by Joseph (2010), Local

Authorities with internal goals which is vision / mission towards sustainability agenda will make a lot of disclosure on the activities carried out in their report. The good and comprehensive Vision/ mission statement will influence in enhancing the value of the voluntary disclosure (Ferreira, 2007). Leadership capabilities of an organization to be an inspiration, model, to make decisions, to provide direction, or make any changes are through the ability to create and sustain vision/ mission statement (York, 2009).

In addition, significant changes for organizations are by developing good and comprehensive vision/ mission statements. It acts to empower the public, promote, reinforce and safeguard human rights and good governance (McCoy, 2005). Sustainable organizations can practice good way of communication, motivation, and maintain their accountability of decision-making through good shared vision/ mission (York, 2009). Studies made by Ferreira (2007), shows the characteristics of the vision/ mission of the organization was biased towards the implementation of certain activities. When the vision/ mission of the organization reflects their desire to be involved or perform any changes in certain activities, workers will put more effort or commitment to develop and improve the ideas associated with these activities (Ferreira, 2007). As such, it illustrates the importance of vision/ mission statement in influencing sustainability reporting of Local Authorities.

Furthermore, the vision/ mission statement is a clear commitment for continuous improvement and organizational restructuring in an effort to reduce operating costs (Michaela, 2006). Strategic plan which is concise and clearly stated vision / mission will reflect the roles and responsibilities that must be undertaken to achieve organizational goal (Micchaela, 2006). The vision/ mission statement is also to determine the values and culture of the organization. It is an important attribute in choosing an organizational structure and can

help to make organizational decisions (Canadian Business for Social Responsibility (CBSR)). This demonstrates importance creation of vision / mission statement to the success of the sustainability agenda. The vision/ mission statement is clearly able to determine the direction of Local Authorities in providing sustainability reporting to the public.

The huge responsibility of Local Authorities as the agencies which are the closest to the people, they must be willing to offer better services for people. The method and mechanism used of the delivery system should be strengthened. This is because all the decisions and actions made by Local Authorities often been highlighted. The importance of an effective delivery system is one of strategy in stimulating the development of the country (Zalinah, 2008). The use of the internet which is part of electronic government can help Local Authorities to improve the efficiency and effectiveness of their activities to the maximum by sustainability reporting to the community (Zalinah, 2008).

2.2.2 Role of the Internet as Medium of Reporting

The electronic government is expected to enhance the operations of Local Authorities in improving the service delivery in terms of comfort and quality of interaction with the community. It is a good commitment to improve relations with stakeholders through efficient information and greater knowledge sharing and economical to use the ICT applications. In this context, the stakeholders do not have to request the necessary information, but only browse and access the websites, all things can be simplified. West (2003), states that the existences of government's websites have been seen as one medium in people's approach to close the digital gap among the community.

The Internet is the powerful and the most influential medium as a new dimension in the world of information dissemination. According to Chan and Wickramasinghe (2006) in their study, stated that internet also known as a voluntary disclosure medium. It is a global network and uses the same transmission. Increasing the use of its commercial that increase and grow has influenced various fields (Azli, 2007). The use of the internet in public sector is related to the public service administrative reforms (Joseph, 2009, the Moon, 2002, Moon and Norris, 2005).

Through the review of Hood (1991), development of information technology, particularly in aspects of service delivery in the public sector is one of four administrative mega trends related to the principles of New Public Management (NPM). In addition, based from Lapsley and Pallot (2000) study, states that local government management reforms can be seen as part of a broader set of public sector reformation (Joseph, 2009). It is also seen as the characteristics under the umbrella heading of NPM. Among the initiatives carried out is creating the e-PBT, which is a strategic project that has been identified in the Public Service strategic planning. It is implemented in almost all local councils through the website of "e-pbt.gov.my". The aim is to ensure that each Local Authorities websites fully utilized to improve efficiency, accountability and transparency (Ministry of Housing and Local Government, 2011).

Based on a study made by the MCMC in 2005, 2006 and 2008, showed that households in Malaysia obtain information from the internet. A total of 41% of households in Malaysia access the internet to get information. It rose to 85% in 2006 and in 2008 it increased dramatically to 94% (Ng Wai Mun, 2010). From the data revealed by Ng Wai Mun (2010), showed that internet became the best medium for Malaysians to seek primary source

of information (refer to Figure 2). In addition, there are also other activities made through the Internet.

Figure 2: Activity on the internet by Malaysian users.

Percentage share of household user base			
Internet usage	2005	2006	2008
Getting information	40.5	84.5	94.4
Communication by text	99.6	80.7	84.7
Leisure	47.1	52.7	63.5
Education	46.8	45.9	64.5
Financial activities	14.6	23.6	31.8
Public services	12.7	12.0	29.2
e-Government transaction	-	-	19.8
Online stock trading	-	-	5.9
Others	1.3	0.2	0.7

Source: Malaysian Communication & Multimedia Commission (2010).

Through NBI (2010), all Malaysian have access to the internet easily through the provision of broadband coverage facilities throughout the country. Based from MCMC (2010), Malaysia's household broadband penetration at the end of the first quarter of 2010 was 34.2%. Therefore, Government of Malaysia aims for the country to achieve 50% of household broadband penetration by end of 2010. It is equivalent to 3.2 million homes (MCMC, 2010). Based from study done by Nor Akmar (2010), every household in major cities were needs to have broadband to increase the broadband penetration in Malaysia. Apart from that, it seems difficult to achieve the targets because most of service provider just focus and competing in same areas which is urban areas. They actually leave out the suburbs, rural and remote areas (Nor Akmar, 2010).

Corporate reporting is a process to disseminate information in various forms, whether financial or non-financial nature. It is also related to the resource and performance of an

organization. Providing the sustainability reporting practices through the websites are expected to increase in the future (Azli, 2007). It is also expected to change the overall method of sustainability reporting disclosure which is printed now to the internet base by using the website as a new reporting method. Based on the Financial Accounting Standards Board (FASB) (2000), the website only commercialized beginning in 1994 (Azli, 2007).

However, the rapid growth makes every organization in the world set up its own website. In addition, the early appearance of the website, most organizations in Malaysia only publish information that focuses on the world of communications, publishing, marketing and library. However, with the formation of this new era of electronic government, we can see various forms of information began to be published. In line with the agenda which was set out through this e-government initiative, many organizations began to establish and modify their website to be more interactive and informative (National Archives of Malaysia, 2003).

The study of Zeghal and Ahmed (1990), Janggu (2007), Serrano (2008) Joseph (2009) and Morhardt (2010) have proposed an alternative medium or channel that can be used to reveals a sustainability reporting of an organization apart from the traditional annual report. One of which is the main website as a tool to spread the sustainability reporting. According to Joseph (2009), the dissemination of sustainability reporting through the website had boosted its credibility as the best alternative channels. In addition, through the recommendations made by Lodhia (2005), the trend of social and environmental research should move towards internet-based perception survey to complete research on conventional annual report.

As a result from studies made by Azli (2007), it is found that the practice of disclosure of the report through the website by organizations in Malaysia shows the progress of

fluctuations. This uncertainty may be caused by the progress, advantages and disadvantages of the use of internet technology to transmit information or reports. According to him, there are many advantages in spreading the report through the website because it's simple, cheap, fast and accessible by anyone. Based from Schneider (2006) study, it is importance to disclose a report to stakeholders which will increase the competency, accountability and transparency of organizations. Other study said that Local Authorities which is based in urban areas will disclose more information through internet. This is because, most of residents have high standard of living and have high education level (Serrano, 2008).

Through other studies made by Ghani (2010), increases in the percentage of Local Authorities have reporting item on their website is due to the Government initiative through the launch of Smart Local Government - Government Agenda Program (SLGGA). Based on further analysis, geographic locations of the Local Authorities also play an important role for the disclosure of information through the website. Factor of wide area and capacity of many people influenced the preparation of reports over the web. In addition, there are also studies that show that the performance of an organization is also one of the factors in an organization which using Internet as a medium of communication. The outcomes of Oyelere (2000), Serrano (2008) and Morhardt (2010), shows that the performance of an organization influences the decision to adopt and present a report through the digital world. This is because the cost of production and dissemination of information through the internet is much lower and effective.

The concept of sustainability reporting, particularly disclosure through the digital world or website has a solid relationship. Local Authorities and stakeholders can communicate and interact with more goodwill, especially when touch about the issues of